

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (6/23)
BUTTER: Grade AA closed at \$1.1525. The weekly average for Grade AA is \$1.1580 (-.0170).

CHEESE: Barrels closed at \$1.1650 and blocks at \$1.1750. The weekly average for barrels is \$1.1725 (-.0165) and blocks, \$1.1825 (-.0235).

BUTTER: Butter markets are generally weak as the cash price is the lowest in over 2 months. Churning activity across the country is seasonally active, although lighter as Class II demand has improved sharply. As cream supplies tighten, some cream buyers are looking outside their areas to secure additional volumes. Some Central butter producers state that they are holding onto their cream supplies, but if buyers are willing to pay asking prices, they will part with the cream. Pricing multiples continue to firm, but the overall price is lower when compared to last year at this time. Butter inventories are readily available for current and future needs. For the first time this year, butter stocks reported on a weekly basis by the CME have declined. This is the latest time of year ever noted for stocks to decline. Stocks fell by 520,000 pounds last week to stand at 156.2 million pounds compared to 103.5 million pounds last year and 108.1 million pounds for this time in 2004. The May cold storage report indicates that U.S. butter inventories totaled 229.8 million pounds, 29% heavier than May 2005, 19% heavier than last month, and up 25% from the 7 year average. Butter demand is fair at best. Some retail feature activity continues to be reported while food service orders have become more stable.

CHEESE: The cheese market is weak. Recent promotions have helped keep inventories from accumulating for some producers though stocks have grown at others. Spot barrels remain tight to adequate as customers still need to get orders in to get supplies. Cheddar blocks and 640s are more than adequate. Much of the extra volume produced around the Memorial Day holiday period still needs to be cleared for some producers. Occasional tightness is noted on Colby/jack and pepper jack, and other varieties that are normally made to order. Mozzarella supplies are adequate. Cheese production continues to trend lower seasonally. American cheese in cold storage as of May 31 totals 580.7 million pounds, 6.2 million pounds (1%) higher than April, but 2.0 million pounds (0.3%) less than last May. Total cheese holdings at the end of May total 835.8 million pounds, up 15.7 million pounds (2%) from April and an increase of 20.1 million pounds (2%) from last May.

FLUID MILK: Milk production is mostly steady to lower in most of the country. Hot weather is cited across the Southern tier of states and most of California. Where milk volumes are declining the most, farm pick-up routes are being consolidated; a typical summer pattern. Temperatures are not too hot in the more northern states, though some hot, muggy weather has been felt. In these areas, milk output is at or just off from the annual peak. Manufacturing plant receipts are generally lighter. Some Southeastern balancing plants have been idled as the milk volumes can now be handled at other facilities. In the upper tier of states, manufacturing schedules remain moderate to heavy. The fluid cream market remains strong. Offerings are tight in most parts of the country with prices/multiples increasing. Reports indicate that California cream is moving east to supplement shortages in other areas. Buyers are reluctant to pay rising multiples and increasing hauling charges, but with Eastern and Midwestern supplies so tight, there are few options.

DRY PRODUCTS: Some seasonal firmness is creeping back into some dry product markets. The hot weather is slowing milk output, which is impacting receipts at manufacturing facilities. The NDM market is steady to slightly firmer. Demand is showing improvement as buyers try to order ahead of a previously published, July 1 price increase by a major producer. This appears to have the most impact on the Eastern market. The dry buttermilk market is in better balance as recent, large-volume sales have eased the inventory situation at some producers' plants. Prices for buttermilk actually increased slightly as demand is holding at relatively good levels. Though prices are unchanged, the dry whey market appears to be firming. Production levels are slowing and demand is holding or improving. The hot weather is impacting dryer efficiencies. The lighter offerings are triggering some improved buyer interest. Some producers have barely enough product/output to meet contracts. The WPC market is steady and prices are unchanged to higher. Demand is mostly contractual, but with slightly slower output, manufacturers' stocks are reported to be in better balance. The lactose market remains firm. Stocks are tight and contracts for the third quarter are expected to be negotiated at higher prices.

CCC: During the week of June 19 - 23, net purchases by CCC totaled 1,901,024 pounds of Western NDM. This week, there were cancellations of NDM from both the West and East.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for July 2006 is \$1.34, up 59 cents from June. This price is derived from the advanced Class III skim milk pricing factor of \$7.24 and the advanced butterfat pricing factor of \$1.2430 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for July is \$6.76 and the Class II nonfat solids price is \$0.7511 per pound. The following are the two-week product price averages: butter \$1.1508, nonfat dry milk \$0.8205, cheese \$1.2218, and dry whey \$0.2817.

MAY MILK PRODUCTION (NASS): Milk production in the 23 major states during May totaled 14.7 billion pounds, up 2.8% from May 2005. April revised production, at 14.2 billion pounds, was up 3.7% from April 2005. Production per cow averaged 1,782 pounds for May, 22 pounds (1.3%) above May 2005. The number of cows on farms was 8.26 million head, 128,000 head (1.6%) more than May 2005, and 19,000 head more than April 2006.

MAY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During May about 11.0 billion pounds of milk were received from producers. This volume of milk is 1.5% higher than the May 2005 volume. About 3.8 billion pounds of producer milk were used in Class I products, 4.6% higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilizations were; Class I = 35%, Class II = 12%, Class III = 41%, and Class IV = 12%. The weighted average statistical uniform price was \$11.97, \$0.07 lower than last month and \$2.79 lower than last year.

COLD STORAGE (NASS): On May 31, U.S. cold storage holdings of butter totaled 229.8 million pounds, 15% more than a month ago and 29% more than last May. Natural American cheese holdings total 580.7 million pounds, 1% more than a month ago and 0.3% less than May 2005.

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY JUNE 19	TUESDAY JUNE 20	WEDNESDAY JUNE 21	THURSDAY JUNE 22	FRIDAY JUNE 23	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1850 (N.C.)	\$1.1825 (-.0025)	\$1.1650 (-.0175)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	(-.0200)	\$1.1725 (-.0165)
40# BLOCKS	\$1.1950 (N.C.)	\$1.1925 (-.0025)	\$1.1750 (-.0175)	\$1.1750 (N.C.)	\$1.1750 (N.C.)	(-.0200)	\$1.1825 (-.0235)
BUTTER GRADE AA	\$1.1675 (-.0075)	\$1.1625 (-.0050)	\$1.1550 (-.0075)	\$1.1525 (-.0025)	\$1.1525 (N.C.)	(-.0225)	\$1.1580 (-.0170)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2. NOTE: CME cash dairy markets are closed July 3 - 4.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, JUNE 19, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.2050

BUTTER — SALES: 1 CAR GRADE AA @ \$1.1675; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.1600; OFFERS UNCOVERED: 3 CARS GRADE AA @ \$1.1750

TUESDAY, JUNE 20, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1825; 4 CARS 40# BLOCKS: 1 @ \$1.1925, 2 @ \$1.1950, 1 @ \$1.2050

BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.1600, 1 @ \$1.1625; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS GRADE AA @ \$1.1775

WEDNESDAY, JUNE 21, 2006

CHEESE — SALES: 8 CARS 40# BLOCKS: 1 @ \$1.1825, 1 @ \$1.1700, 2 @ \$1.1625, 1 @ \$1.1650, 2 @ \$1.1700, 1 @ \$1.1750; BIDS UNFILLED: NONE;

OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1650; 3 CARS 40# BLOCKS: 1 @ \$1.1800, 1 @ \$1.1850, 1 @ \$1.1950

BUTTER — SALES: 6 CARS GRADE AA: 4 @ \$1.1600, 1 @ \$1.1575, 1 @ \$1.1550; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS GRADE AA @ \$1.1625

THURSDAY, JUNE 22, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS @ \$1.1250; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.4000

BUTTER — SALES: 11 CARS GRADE AA: 2 @ \$1.1500, 1 @ \$1.1525, 3 @ \$1.1550, 5 @ \$1.1525; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.1500, 2 @ \$1.1200; OFFERS UNCOVERED: 4 CARS GRADE AA: 2 @ \$1.1575, 2 @ \$1.1600

FRIDAY, JUNE 23, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1550; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA @ \$1.1600

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A, February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (N.C.).

BUTTER MARKETS

NORTHEAST

The butter market is steady. The CME cash price “bounced around last week. The settling price ranged from \$1.1675-1.1875, but returned to \$1.1675 during Monday’s (6/19) trading. The two-cent trading range last week was a much wider trading range than we saw during the whole month of May. Churning activity in the East is lighter as Class II cream demand has improved sharply. With the reduced butter output, producer inventories are still more than ample. Demand for both bulk and packaged butter is seldom better than fair. Orders from retail chains are steady. Food service orders are a little more stable, but still improving in some resort areas. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The midweek cash butter price of \$1.1550 is the lowest it has been in over two months. Traders and handlers are somewhat surprised at the recent weak trend. Cream supplies are available to the churn, although surplus volumes have tightened for churning purposes. Central butter producers indicate that cream buyers from outside of the region are in the market looking for spot loads. Most butter producers are holding onto their supplies, but if buyers are willing to pay asking prices, they will part with the cream. Pricing multiples continue to firm, but the overall price is lower when compared to last year at this time. Butter inventories continue to run ahead of last year by about a third, although last week, CME butter storage totals declined for the first time this year. Recently, weekly increases have been declining, thus demand surpassed production and inventoried

stocks were used to fill all needs. For the most part, churning schedules are keeping pace with demand, but this trend will become more difficult to maintain as cream supplies tighten. Butter demand is fair. Retail orders are fairly active as features continue to be reported and unfeatured prices are often better than in recent years at this time of the summer. Food service orders are generally steady. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

CME cash butter prices have lost ground in trading this week and are currently below \$1.17 again. The market closed on Wednesday at \$1.1550. The market seems to be having some trouble finding direction as mid-summer approaches. Butter production and stocks are heavy, but churning is slowing seasonally as less cream is available. Less cream is coming out of bottling plants and ice cream operations are gearing up for the improved demand. Fat tests on milk receipts also decline as the summer heat becomes more of a factor. Some bulk butter is coming out of the freezer to be worked into print butter. Some are surprised at the timing of this occurrence, thinking it is a little early. Others see this as normal timing and are not surprised. Retail and food service sales are being rated as fair at best. There is no aggressiveness noted in either side of the market. For the first time this year, butter stocks reported on a weekly basis by the CME have declined. This is the latest time of year ever noted for stocks to decline. Stocks fell by 520,000 pounds last week to stand at 156.6 million pounds. Last year for this week, stocks were 103.5 million pounds and they were 108.1 million pounds in 2004. Prices for bulk butter range from 2 cents under to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
JUNE 17	1.2016	1.2090	0.8200	1.1483	0.2814
	9,447,713	10,524,502	27,781,021	4,040,154	11,881,662

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mixed, ranging fractionally higher and lower. The market tone is steady. Cheese output in the Northeast is steady at moderate to heavy levels. Surplus milk volumes are often growing as most schools in this region are dismissing for summer recess. Cheese offerings are more than adequate for the current, slow to fair demand. Best interest seems to be on process and, to a lesser degree, mozzarella. Retail sales are mostly steady and food service orders are improving seasonally.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2900-1.8100
Cheddar Single Daisies	:	1.2475-1.7325
Cheddar 40# Block	:	1.3475-1.6200
Process 5# Loaf	:	1.4000-1.6450
Process 5# Sliced	:	1.4200-1.7300
Muenster	:	1.3625-1.5625
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to weak. Various promotions on cheese and/or pizzas continue to keep inventories from accumulating at most plants. Bulk cheese order lead times seem to be little changed, except for barrels that may be growing for some buyers. Operating time on natural lines vary by type of product (chunks, sliced, shreds), but are fairly good for summer. Some packagers and processors are trying to build finished product inventory ahead of the extra downtime scheduled for the July 4th holiday. The usual tightness is noted in Colby/jack and pepper jack where current inventory is exceeded by an unexpected increase in orders. Processors are also operating on moderate to good summer schedules. Limited supplies of undergrades are available for shredding or processing. Cheese yields are declining seasonally though milk intakes seem little changed.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4600-1.6375
Brick And/Or Muenster 5#	:	1.6500-1.7625
Cheddar 40# Block	:	1.5200-2.2650
Monterey Jack 10#	:	1.6500-2.2650
Blue 5#	:	2.0675-2.3300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.3925-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.1550-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

		BUTTER : CHEESE	
06/19/06	52,275	:	141,814
06/01/06	48,721	:	139,662
CHANGE	3,554	:	2,152
% CHANGE	7	:	2

WEST

Block cheese prices at the CME cash market have held steady or declined for nine trading sessions. Prices stand at \$1.1750 at midweek, the lowest level since mid May. Prices are down 3 1/2 cents since the end of last week. Western contacts state that buyers are not able to discern a direction for the market at this time. Some buyers continue to search for natural and process cheese for immediate needs. They note that production is beginning to decline seasonally and that they need more stocks on hand. Other plants are noting that sales are not up to estimates and they see a growing inventory trend. Processors continue to look for good quantities of cheese. This means that any cheese with defects is able to sell quite easily at better prices than a few weeks ago. Contacts continue to believe that more surplus milk is heading to butter/powder production. Swiss is clearing well with cutting lines operating on extended schedules. Some older mozzarella is now coming out of the freezer for current use.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3450-1.6025
Cheddar 40# Block	:	1.3225-1.6750
Cheddar 10# Cuts	:	1.5025-1.7225
Monterey Jack 10#	:	1.5125-1.6725
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

FOREIGN

Prices are steady to fractionally higher on domestic styles. The market tone is settling into typical summer patterns. Supplies are fully adequate to meet current needs. Reports indicate that cheese output in the EU-25 during the first two months of the year is 1.24 million tons, 4.0% more than the same period last year. Most of these gains are a result of improving internal demand and available milk supplies.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.3500	: 1.6025-3.0925*
Gorgonzola	: 3.6900-5.9400	: 2.1125-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0175-3.1225*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.6025-1.8400*
Romano (Cows Milk)	: -0-	: 2.8000-4.9425*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: TFEWR	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	47	0	55	0	53
SOUTHEAST STATES	0	0	0	0	0	0

May milk production in the 23 major states totaled 14.71 billion pounds, up 2.8% from May 2005. The following are the May - May changes for selected states: New York N.C., Pennsylvania -0.1%, Virginia -1.2%, Kentucky -2.3%, Florida -2.3%, and Vermont -2.9%. Hotter weather is covering most of the East, which creates discomfort for cows, and milk production is being adversely affected. For the Northeast, the hotter weather is the first of the season and the milk flow is not declining too much at this time. In Florida and other Southeastern states, milk output is decreasing more noticeably and farm pick-up routes are being consolidated. Fluid milk supplies are declining, but they are still more than ample for the generally slower Class I demand. Surplus milk volumes are slightly lighter in the Northeast, but schools in this area are now on summer recess, which pushes more milk into manufacturing plants. In the Southeast, some balancing plants have been idled for the summer or until they are needed. Florida's milk volumes are in better balance and fewer loads are being sent out of state for processing. Protein and fat tests on incoming milk are generally lower along seasonal patterns. The condensed skim market is little changed. Producers have ample stocks should demand improve, but most are simply drying their excesses. Spot orders are mixed, depending on price, as some soft serve and hard ice cream sales are improving in some areas. The fluid cream market is firm. Contacts comment how tight cream offerings have become and how high multiples have been in the past two weeks. This is not only a regional trend, but offerings are tightening throughout the country. Spot prices are sharply higher and buyers are more vocal about the rising multiples. However, the rising multiples are on a butter price considerably (roughly 30-40 cents) lower than this time last year. Class II demand is generally good and less excess cream is being offered to butter makers. Soft serve mix sales are improving along the Eastern shore where temperatures are rising and summer resort shops/outlets are seeing more vacationers. Production of hard ice cream is about steady at typical summer levels. Cream cheese production is steady to lighter as less cream is being offered to producers. Production of bottled cream, sour cream, dips, and aerosol whipped cream is increasing seasonally. Churning activity is lighter.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5510-1.7038
DELIVERED EQUIVALENT: ATLANTA	-	1.5628-1.7390 M 1.5980-1.6685
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5393-1.6685

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9000-.9700
NORTHEAST - CLASS III - SPOT PRICES	-	.8900-.9500

M I D W E S T

Class I demand remains steady at light, summer levels. Class II interest is moderate except for ice cream and mix which remain seasonally good. Manufacturing milk interest is flat with buyers just interested in covering short term needs and limited interest in making long term commitments. Reported spot manufacturing milk prices range from around flat class to about \$0.75 over class, fob. Cream demand remains strong from ice cream accounts. Churning is lighter and mainly just contracted volumes. Multiples continue to edge higher though butter prices are about 30 cents lower than a year ago. The big push to build inventory is probably over for ice cream, but producers remain active in keeping inventories from declining too fast and are producing products with the best demand. Current milk receipts did take a slight dip with the heat over the weekend in the upper tier of states but the period was not long enough to cause more than a temporary decline. Fat and protein levels remain lower. Continued summer temperatures, mainly in the 90s in southern states, and often dry, has

reduced production despite heat abatement equipment. Estimated May milk production in selected Midwestern states compared with May 2005 is: Wisconsin, 2.056 billion pounds, up 45 million pounds (2.2%); Minnesota, 736 million pounds, 3 million pounds (0.4%) higher; Michigan, 609 million pounds, up 12 million pounds (2.0%); Texas, 650 million pounds, 64 million pounds (10.9%) more; Iowa, 358 million pounds, an increase of 2 million pounds (0.6%); and Indiana, 291 million pounds, 8 million pounds (2.8%) higher.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JUNE 15 - 21	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 53.00	\$ 55.00- 61.00
REPLACEMENT HEIFER CALVES	\$350.00-650.00	\$400.00-740.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JUNE 15 - 21	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.50- 56.00	\$ 52.00- 66.00

W E S T

Milk production in the 23 surveyed states in May totaled 14.7 billion pounds, up 2.8% from a year ago. Cow numbers increased 128,000 head or 1.6% from last year with production per cow up 1.3%. The production per cow increase is the smallest since January 2005. Cow numbers continue to increase on a monthly basis and have done this since early last year. Cow numbers in the 23 surveyed states have increased 80,000 head since the first of the year. May milk output changes for selected Western states compared to last year are as follows: Arizona +9.1%, California +2.5%, Colorado +7.4%, Idaho +9.0%, New Mexico +16.1%, Oregon -6.5%, and Washington -2.4%. Cow numbers in these seven states have grown 116,000 head since last year. Production per cow was steady or higher in all of these states except for Oregon. Most contacts feel that output in CALIFORNIA is poised to move lower over the next week. Temperatures approaching 110 degrees in the Central Valley will be common and it is expected to last more than a week. Heat abatement programs will only do so much with temperatures this high. The stress will likely begin to show up in the bulk tanks early next week. Some manufacturing plants will not mind that the milk flow will be finally moving backward. Hay quality also continues to be an issue that will impact milk production through the summer. Dairy quality hay is hard to find and expensive. Dairy producers are facing lower milk prices and have a set budget on how much they are able to pay for hay. The numbers are not matching up so that the milk flow is being impacted. Hot temperatures continue in ARIZONA which is the norm for this time of the year. Milk output continues to move lower, but at a normal pace. Days are certainly hot, but the real problem is that nights are not cooling off at all now. The cows are not getting much of a reprieve at all. The humidity remains low which is the only positive point. NEW MEXICO milk output continues to move lower seasonally. The recent hot temperatures continue to stress the dairy herd. Heat abatement programs are working reasonably well. Hay quality in the region is good compared to much of the rest of the West. CREAM prices are firming as summer arrives which is nothing unexpected. The heat is both cutting cream output and fostering more ice cream production. Therefore, supplies are down and demand is up. The CME cash butter price stands at \$1.1550 at midweek, down 3 1/4 cents from last week. Multiples range from 103-123, FOB, and vary depending on class usage and basing points. Cream is moving from the West to the Central part of the country for ice cream production. Conditions for milk production remain good in the PACIFIC NORTHWEST. Temperatures are moderate and the rain seems to have subsided. Milk output seems to be past the peak at most operations mostly because of the time in the lactation and not really from much outside stress. Plants continue to run nearly full in the region. Some areas are beginning to harvest the second cutting of hay with the hope that the quality is better than for the first cutting. Pasture conditions in the region are excellent. Conditions are warming up in both IDAHO and UTAH. Nothing extraordinary is noted, just into the low 90's. These are normal conditions for this time of year. Plants in Idaho continue to run at capacity with some milk shifting around to find adequate plant capacity. The feeling is that the heat will allow more efficient handling of milk within the next two weeks.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are mixed on a steady market. In some areas, production is reduced due to lower milk solids content and milk production. Demand is improved compared to the month prior with supplies reportedly moving into export and domestic markets. As a result, some spot sales are reported higher yet trades based on the NASS pricing series are fractionally lower. In some instances, buyers are able to competitively purchase NDM from the West coast. Condensed skim demand is good with supplies reportedly in balance.

EAST: Prices are mostly steady. The market tone is unchanged from last week. However, some producers comment that recent sales have helped them reduce the inventories held at their plants. Last week's NASS average NDM price (the basis for most NDM sales) decreased about \$0.0019. Corresponding to fluid milk supplies, NDM production levels have eased in the Southeast and steady in the Northeast. Contacts continue to comment that demand for NDM is being influenced, to some degree, by the July 1 change (increase) to a major producer's pricing formula. Demand is fair to good from both domestic and export buyers.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8300 - .8750 MOSTLY: .8300 - .8600
 HIGHHEAT: .8650 - .9300

NONFAT DRY MILK - WEST

Prices for low/medium heat powder range from steady to higher. With a price strategy change announcement made recently, buyers are looking for additional volumes of powder before the July 1 price change effective date. The change will tend to raise prices. Powder continues to be offered to the price support program from the Western region. Last week, 6.7 million net pounds were offered. Some buyers are looking to book their needs for the remainder of the year at prices that are higher than the current market. Export sales continue at steady levels with no new information to impact that market. Western high heat prices are moving higher as demand increases and production remains relatively constant. Buyers are willing to pay the higher prices if it means they will be able to get the product that they need. Powder production, in general, is trending lower seasonally.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8350 MOSTLY: .8050 - .8250
 HIGHHEAT: .8300 - .8750

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 16	\$.8046	13,682,704	7,137,045
June 9	\$.8062	12,384,346	6,849,978

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are higher on a steady to firm market. Significant movement is noted into export and domestic markets, alleviating heavy producer stocks. Production is steady to lower as a result of reduced movement of cream into churns and increased demand from ice cream facilities for condensed buttermilk. Some dry buttermilk movement is noted as a low cost alternative to NDM. Interest is best from brokerage operations.

F.O.B. CENTRAL: .6800 - .7900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to slightly higher. Northeastern prices are nominal. The market tone seems to have improved now that some producers cleared a good portion of their inventory. Recent discounted, large-volume sales have put producers in a better supply/demand relationship. Churning activity is lighter again this week and less buttermilk is available to process. Demand for liquid buttermilk continues at good, summer levels. In response to the decline in churning and good demand for liquid buttermilk, drying schedules are lighter. Producer stocks are in better balance, but still fully adequate to meet the steady demand.

F.O.B. NORTHEAST: .6700 - .7000
 DELVD SOUTHEAST: .6900 - .7200

DRY BUTTERMILK - WEST

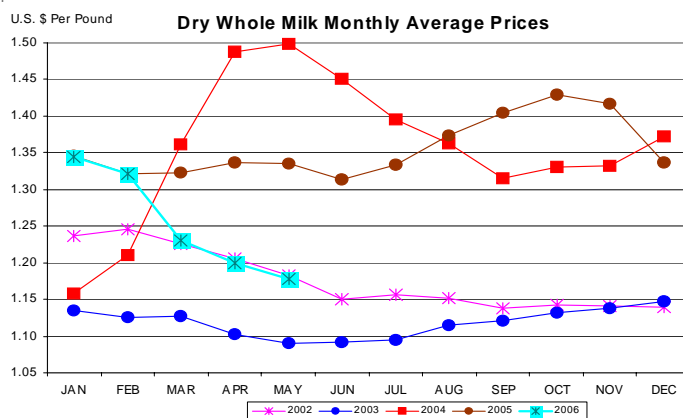
Western buttermilk powder prices are generally moving higher. Demand is improving seasonally and offerings are lower because of major export initiatives. Production of powder is lighter as more buttermilk is sold in the condensed form and churning activity declines seasonally. Ice cream producers are looking for additional supplies as summer hits most of the country. Powder stocks at the producer level are in better balance than they have been in quite a few weeks. Buyers are now needing to schedule load pickup times versus just sending the truck over as was the case until just recently.

F.O.B. WEST: .6000 - .6800 MOSTLY: .6300 - .6600

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Prices are nominal. Production is light and plant stocks are closely balanced. Demand is seasonally slow to fair.

F.O.B. PRODUCING PLANT: 1.1000 - 1.2375



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are mostly unchanged on a steady market. Producer offerings are generally noted at a premium despite the lack of buyer interest. Trades are noted at a premium and a discount to the market. Block offers via manufacturers or resellers are reported by some buyers. Requests for additional loads onto contracts by buyers are easily satisfied. Traders report that the market is "flat." Feed whey supplies are available for the good interest. Offering prices at the Extra Grade average for feed whey supplies are being met with buyer resistance. Condensed whey supplies remain available in some areas yet volumes are reportedly in better balance than during previous weeks.

F.O.B. CENTRAL: .2725 - .2900 MOSTLY: .2725 - .2775
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2500 - .2675

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged and the market tone seems to be firming, particularly for direct-from-the-producer sales. Production levels are lighter in most Eastern plants and offerings are tighter. Some plants are barely keeping pace with contract shipments while others can and do readily fill commitments. However, fewer spot loads are available. The hot, humid weather is affecting dryer efficiencies in some plants. Producers and traders report that they are getting more inquiries for product. With many buyers feeling that the price is currently at the bottom of this price cycle, they are looking to pick up a few extra loads. Demand is improving and easily clears any spot offerings. The resale market is also showing more signs of improvement as users and traders are trying to add to their holdings while prices are relatively low. Export interest is steady at fairly good levels.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2750 - .3000
DELVD SOUTHEAST: .2900 - .3250

DRY WHEY - WEST

Prices for Western dry whey range from steady to fractionally higher. There doesn't seem to be any additional downward pressure on the market at this time. Buyers, especially from overseas, continue to look for additional powder. The U.S. remains the best source based on quality and price in the world at this time. Domestic buyers are also ramping up purchases as they see milk production decline faster seasonally. Stocks at the producer level range from in balance to tight.

NONHYGROSCOPIC: .2700 - .3200 MOSTLY: .2800 - .3000

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to higher on a steady market. Most movement is being reported in the resale market and on a contractual basis. Canadian and US users that purchased 34% WPC in excess are reselling supplies at the current market or at a slight discount. Most manufacturers report that stocks are in balance. Buyers that previously delayed pick-up of their loads are now keeping movement current. Inquiries from Europe and Asia are noted. Loads of 80% WPC are available, predominantly to the feed industry as a competitive source of protein. Feed grade trade is light.

F.O.B. EXTRA GRADE 34% PROTEIN: .5600 - .6100 MOSTLY: .5700 - .5900

LACTOSE - CENTRAL AND WEST

Prices for the current quarter contracts remain unchanged. Spot trades are generally reported near the high side of the range and are nominal. Most producers report that supplies are short of buyer interest. As third quarter commences, many suppliers will continue to satisfy second quarter commitments. Some contracts for third quarter have been finalized with prices trending 5-6 cents above the current average. Some sellers are concerned that the significant price increase during third quarter may be too shocking for buyers to readily absorb. Traders retort that the change will be obvious and "you should have seen it coming." Inquiries are noted from both domestic and foreign users. Feed supplies are limited for the good interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2400 - .3300 MOSTLY: .2550 - .3300

CASEIN - NATIONAL

Casein markets remain steady at unchanged prices. Traders and handlers state that a new quarter of contracting is nearing and buyers are anticipating lower prices. Most suppliers acknowledge that prices have weakened from first quarter levels, but are not anticipating much change in third quarter price levels. For the most part, domestic buyers are able to secure needed volumes of casein at this time. Oceania supplies are coming from inventoried stock, while European volumes are generally current production. Reports indicate that European casein availability is lower this year. Traders and handlers attribute this to a few factors, overall milk production is trailing last year and some casein manufacturers have reduced their output or completely discontinued production due to product economics.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.1000
ACID: 3.0500 - 3.1500

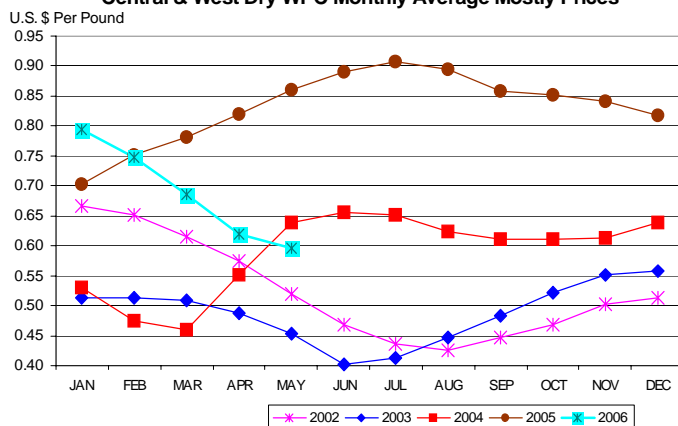
EVAPORATED MILK - NATIONAL

Prices and the market tone are steady. Reports indicate that some producers are thinking about increasing prices in certain parts of the country. With production holding at high levels through most of the spring, some producers are offering promotions to see if they can stimulate interest. Retail sales do remain seasonally slow to fair. Producer stocks continue to be replenished.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.

Central & West Dry WPC Monthly Average Mostly Prices



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JUNE 19 - 23, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 06/16/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	198,000	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	198,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	2,370,596	469,572	1,901,024	63,588,562	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	2,370,596	469,572	1,901,024	63,588,562	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JUNE 19 - 23, 2006 =	0.4	22.1	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	15.8	742.1	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JANUARY 1 - JUNE 23, 2006 =	15.8	742.1	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JUNE 19 - 23, 2006 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	2,119,279	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-218,255	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	198,000	-0-	1,364,259	1,331,567	13.5	4.2
WEST	-0-	-0-	-0-	-0-	59,819,827	29,415,099	83.2	92.4
EAST	-0-	-0-	-0-	-0-	2,404,476	1,070,603	3.3	3.4
TOTAL	-0-	-0-	198,000	-0-	63,588,562	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 06/03/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2006-Dairy	N.A.	0.5	4.4	2.0	11.4	2.0	0.3	N.A.	12.0	1.3	34.7	981.3	42.1	45.4
2005-Dairy	N.A.	0.5	4.8	1.7	10.1	1.9	0.6	N.A.	10.8	2.0	33.3	1,006.4	44.9	48.0
2006-All cows	N.A.	0.5	5.5	9.6	21.7	16.0	9.9	N.A.	14.8	1.8	82.5	2,161.8		
2005-All cows	N.A.	0.6	5.9	8.7	19.7	11.6	9.0	N.A.	12.6	3.7	74.1	2,095.4		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22	10.97	10.75	11.34					
II	13.25	12.62	11.69	11.37	11.13							
III	13.39	12.20	11.11	10.93	10.83							
IV	12.20	11.10	10.68	10.36	10.33							

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm

INTERNATIONAL DAIRY MARKET NEWS

Information gathered June 12 - 23, 2006

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk production trends throughout most areas of Western Europe are on the down side of peak production. Milk processors and handlers continue to indicate that total milk volumes appear to be lower than last year at this time. Processors and handlers state that in recent days, warm and in instances hot temperatures may have taken any potential of production recovery out of the picture for the time being as output continues to decline. Milk production declines are typical for this time of the year, but most milk handlers anticipate a plateauing or even a slight increase in milk volumes sometime during the second half or down side of the season. When possible, milk volumes are being directed toward products of most needs or best return. This year, cheese production is strong with other manufactured dairy products absorbing the balance. Powder stocks are not excessive, but are available for immediate and future demand. Butter stocks remain readily available for basically domestic needs. International buyer interest for all manufactured dairy products remains slow. Now that intervention for butter has been filled, a tendering system is in place for future offerings. On June 13, under the first round of bidding, 7,471 MT were received, but the Commission accepted only 2,908 MT at 2,461.90 Euros per ton. This value was 87.2% of the official intervention level. The next round of offers are due June 27 with the Commission meeting on June 27.

BUTTER/BUTTEROIL: European butter markets remain basically steady with prices unchanged to slightly lower. Milk production is seasonally strong, thus is butter output. Stocks of butter are building as demand is limited to domestic needs only. International buyer interest is very quiet. The maximum level of butter intervention was filled in late May and 54,620 MT were received. Since then, a tendering system is in place to receive additional offerings. Under the first round of offers, 2,908 MT out of 7,471 MT were accepted at 2,461.90 Euros per ton. This value is 87.2% of the official intervention level.

82% BUTTERFAT: 1,700 - 1,925
99% BUTTERFAT: 2,200 - 2,300

SKIM MILK POWDER (SMP): Skim milk powder markets remain firm at unchanged prices. Milk production is seasonally strong in Europe, although powder production is reported to be somewhat lighter than recent years for this time of the season. Manufacturers and handlers acknowledge lighter inventories, but also state that sales activity is limited to domestic needs with international sales slow. Traders state that international sales will probably remain slow as long as prices maintain current levels which are higher than buyers are willing to pay.

1.25% BUTTERFAT: 2,275 - 2,450

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are generally steady, although a weaker undertone is developing. Powder production is seasonally strong as milk production throughout the region is at or very near peak levels. Domestic demand has been active enough to keep product moving versus significant inventory buildup, but this demand appears to be declining. Some international sales have been reported, but significantly lighter than previous years. Traders and handlers also state that the outlook for future sales remains equally slow.

26% BUTTERFAT: 2,150 - 2,300

SWEET WHEY POWDER: Whey powder markets and prices are unsettled. Prices have increased slightly. In recent weeks, the tone appeared to be weakening, but this trend did not continue. Demand remains active from domestic animal feed buyers which are clearing most offerings, causing prices to stabilize and, in instances, increase. International sales from Europe are minimal as prices are often higher than buyers are willing to pay. Cheese production is seasonally strong, thus whey volumes are available.

NONHYGROSCOPIC: 800 - 885

EASTERN OVERVIEW: The milk production season in Eastern Europe is near seasonal peak levels. Milk handlers report that receipts are holding steady at high levels, but some also state that fluctuations lower and recovery are occurring. Eastern manufacturers and handlers indicate that stocks are building as sales activity remains slow. Some small lot or immediate shipment orders are being reported, but much lighter than usual for this time of the season.

OCEANIA

OCEANIA OVERVIEW: Milk production in Oceania is nearing seasonal low levels. In New Zealand, the new milk production year has begun, but milk production increases will typically not resume for another 6 - 8 weeks. Milk production figures for the 2005 - 2006 year, which concluded at the end of May, continue to point to a 4% increase over last season. Producers and handlers are quite pleased with this figure and are hopeful that the gains of the past season will continue into the 2006 - 2007 year. In Australia, the milk production year is nearly completed, one more week until the official June 30 end. Official milk production figures trail by about two months. For April, production was down 3.0% when compared to last April. This brings milk output for the first ten months (July - April) to 8.8 billion liters, down 0.8% on a cumulative basis. The last half of the season has not been overly positive, thus milk producers and handlers remain hopeful that cumulative annual production will not dip much below a 1% decline from last year. Manufacturing schedules are very minimal in Oceania and basically limited to Australian milk output. Manufacturing plants continue to reduce schedules and close down for the season. Traders and handlers state that stocks are pretty well balanced with needs during the upcoming winter months. Some traders state that they may need to reach to outside, prearranged sources to round out some spot shortages. For the most part, virtually no supplies of Oceania manufactured dairy products will be available for spot buyer interest during the next few months. Many traders state that they are quite pleased with their supply/demand balance for this time of the season. Some have stated that they had been reaching to outside supply sources at various times during the year which helped maintain a manageable domestic inventory for this time.

BUTTER: Oceania butter markets and prices are generally steady. Basically, the milk production season is finished in the region, thus is butter output. The 2005 - 06 milk production year in New Zealand was finished last month with the Australian season concluding at the end of June. Orders at this time are being filled from inventoried product. Traders and handlers feel that they have sufficient butter volumes to fill contract commitments. Most indicate that they will not have any surplus butter for spot buyer interest.

82% BUTTERFAT: 1,600 - 1,850

CHEDDAR CHEESE: Cheese markets are steady at unchanged prices. Stocks of cheese are reported to be in balance with projected needs over the winter months. Manufacturers and handlers indicate that some stock may carry over into the new production season, but for the most part, these volumes will be minimal. Oceania traders state that sales negotiations for next season are progressing well. At this point, buyers are generally looking to procuring comparable volumes as the year just completed.

39% MAXIMUM MOISTURE: 2,550 - 2,800

SKIM MILK POWDER (SMP): Skim milk powder markets are steady at unchanged prices. The powder production season is now over thus orders for the next few months will be filled from inventories. Some traders and handlers indicate that they may need to reach to prearranged outside sources to fill all contractual commitments, although they feel that these volumes should be minimal. During the 2005 - 06 milk production season, some handlers were already using outside powder sources to supplement their output. This allowed late season production to enter domestic inventory programs and provided manufacturers and handlers an opportunity to better manage inventories for disposition during the winter months.

1.25% BUTTERFAT: 2,000 - 2,100

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady, although prices inched slightly higher on the top of the reported range. Producers and handlers state that future orders will be filled from inventories. At this point, most handlers feel that they will not have any surplus powder available for spot buyer interest.

26% BUTTERFAT: 2,000 - 2,150

Exchange rates for selected foreign currencies: June 19, 2006

.7367 Canadian Dollar	.0219 Indian Rupee
.3248 Argentina Peso	.6166 New Zealand Dollar
.0871 Mexican Peso	.7367 Australian Dollar
.3087 Polish Zloty	.0087 Japanese Yen
	1.2577 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0871)=
11.4811 Mexican Pesos. Source: "Wall Street Journal"

CHICAGO MERCANTILE EXCHANGE FUTURESSelected settling prices, (open interest), and volume 1/

Month	06/07	06/08	06/09	06/12	06/13	06/14	06/15	06/16	06/19	06/20
CME - CLASS III MILK FUTURES (Pit-Traded)										
JUN 06	11.21 (3045) 51	11.22 (3051) 106	11.24 (3025) 17	11.24 (2994) 4	11.26 (3127) 85	11.26 (3123) 39	11.25 (3112) 48	11.26 (3096) 39	11.26 (3118) 24	11.26 (3071) 12
JUL 06	11.68 (3574) 226	11.78 (3628) 268	11.75 (3622) 84	11.65 (3662) 60	11.70 (3659) 76	11.63 (3641) 99	11.50 (3624) 111	11.41 (3569) 132	11.37 (3573) 48	11.35 (3606) 44
AUG 06	12.13 (3821) 116	12.30 (3844) 188	12.32 (3852) 80	12.25 (3935) 98	12.35 (3940) 106	12.31 (3930) 91	12.08 (3886) 103	11.95 (3865) 160	11.86 (3901) 128	11.81 (3938) 105
SEP 06	12.46 (4005) 49	12.64 (4030) 88	12.72 (4013) 96	12.76 (4009) 83	12.79 (4024) 147	12.79 (4017) 78	12.55 (4040) 107	12.35 (4092) 174	12.26 (4093) 61	12.25 (4184) 88
OCT 06	12.51 (3535) 72	12.65 (3583) 82	12.70 (3604) 52	12.75 (3630) 64	12.80 (3643) 70	12.74 (3642) 69	12.60 (3642) 23	12.43 (3641) 26	12.34 (3651) 41	12.33 (3722) 26
NOV 06	12.40 (3048) 52	12.55 (3071) 28	12.57 (3158) 110	12.53 (3202) 55	12.59 (3250) 59	12.54 (3248) 36	12.51 (3252) 33	12.39 (3252) 38	12.35 (3257) 70	12.32 (3365) 54
DEC 06	12.20 (2773) 42	12.35 (2758) 33	12.40 (2781) 51	12.35 (2815) 63	12.44 (2838) 48	12.39 (2846) 38	12.28 (2834) 23	12.16 (2861) 82	12.12 (2881) 38	12.12 (2888) 29
JAN 07	12.43 (907) 25	12.56 (934) 40	12.56 (943) 36	12.55 (945) 2	12.59 (950) 23	12.59 (948) 17	12.49 (963) 20	12.40 (987) 34	12.35 (988) 23	12.39 (983) 4
FEB 07	12.20 (810) 33	12.26 (826) 29	12.30 (839) 19	12.27 (840) 1	12.34 (839) 23	12.33 (841) 12	12.21 (862) 31	12.17 (896) 33	12.16 (893) 9	12.16 (892) 0
MAR 07	12.27 (845) 34	12.35 (855) 35	12.39 (861) 14	12.35 (861) 1	12.40 (863) 36	12.40 (866) 10	12.30 (885) 25	12.27 (925) 38	12.28 (920) 9	12.27 (928) 11
APR 07	12.45 (643) 26	12.50 (657) 39	12.50 (665) 13	12.51 (669) 4	12.60 (654) 25	12.58 (654) 10	12.58 (669) 20	12.44 (675) 33	12.47 (670) 5	12.43 (673) 3
MAY 07	12.46 (597) 32	12.49 (608) 29	12.50 (612) 9	12.49 (614) 6	12.55 (621) 8	12.54 (628) 36	12.51 (649) 38	12.58 (657) 41	12.53 (654) 6	12.50 (651) 8
JUN 07	12.55 (563) 22	12.60 (555) 27	12.60 (555) 11	12.59 (555) 1	12.65 (551) 16	12.65 (554) 21	12.63 (569) 49	12.61 (564) 28	12.59 (564) 6	12.60 (564) 16
JUL 07	12.80 (393) 12	12.87 (400) 19	12.92 (408) 8	13.00 (412) 20	13.09 (409) 22	13.09 (413) 4	13.09 (432) 34	13.09 (436) 11	13.04 (444) 16	13.04 (443) 1
AUG 07	13.00 (326) 28	13.05 (323) 10	13.12 (330) 15	13.18 (335) 14	13.28 (337) 5	13.28 (339) 4	13.25 (355) 33	13.16 (359) 12	13.15 (364) 13	13.15 (365) 3
CME - CLASS IV MILK FUTURES (Pit-Traded)										
JUN 06	10.60 (6) 0	10.53 (6) 0	10.45 (6) 0	10.45 (6) 0	10.40 (6) 0	10.40 (6) 0	10.40 (6) 0	10.33 (6) 0	10.33 (6) 0	10.33 (6) 0
JUL 06	10.90 (10) 0	10.90 (10) 0	10.90 (10) 0	10.90 (10) 0	10.90 (10) 0	10.90 (10) 0	11.00 (11) 1	11.00 (11) 0	11.00 (11) 0	11.00 (11) 0
AUG 06	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (6) 1	11.00 (6) 0	11.00 (6) 0	11.00 (6) 0
CME – PRODUCT SETTLED BUTTER FUTURES (Pit-Traded)										
JUL 06	118.50 (340) 17	118.00 (340) 12	117.50 (336) 6	117.75 (336) 4	118.50 (315) 29	118.25 (294) 20	117.75 (273) 28	117.25 (275) 14	117.25 (275) 0	117.00 (275) 1
SEP 06	121.50 (361) 15	121.00 (366) 5	120.50 (367) 1	120.50 (370) 7	121.25 (379) 14	121.25 (379) 3	121.25 (382) 5	121.25 (382) 0	121.25 (382) 0	121.25 (382) 0
OCT 06	123.00 (216) 9	122.25 (219) 4	122.00 (221) 3	122.00 (221) 0	123.00 (222) 3	123.25 (222) 0	123.00 (226) 5	123.00 (227) 1	123.00 (227) 0	122.75 (227) 0
CME – CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JUN 06	117.00 (562) 13	117.00 (533) 0	116.00 (534) 1	116.00 (538) 4	116.00 (538) 6	116.00 (540) 2	116.00 (543) 8	115.75 (544) 1	115.75 (547) 6	115.50 (542) 6
JUL 06	119.75 (629) 18	119.00 (609) 15	117.75 (618) 12	118.00 (626) 14	119.00 (626) 1	120.00 (637) 11	118.75 (637) 6	118.50 (637) 21	117.75 (640) 11	117.25 (642) 10
AUG 06	121.25 (676) 4	121.50 (658) 14	121.25 (664) 6	121.25 (678) 35	121.75 (692) 17	122.50 (692) 0	121.50 (693) 4	121.50 (687) 12	121.50 (693) 9	121.00 (702) 9

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-250-3208.

THE DAIRY OUTLOOK

Low Dairy Profitability Likely Taking the Wind Out of Expansionary Sails

Milk production for 2006 is projected at 181.9 billion pounds, an increase of 2.8 percent from 2005. June's forecast is reduced slightly from May's. Expected higher grain prices, hot dry weather in the West and sharply lower milk prices in 2006 compared with last year have likely pressured producer returns. The milk feed price ratio is at its lowest level in 3 years. The low profitability ratio may be taking the wind out of the expansion. However, replacement heifer prices, reported by NASS in April, are unchanged from a year earlier which suggests that significant demand for replacements persists. Moreover, dairy slaughter numbers do not indicate liquidation is yet underway. Milk production in 2007 is forecast higher at 183.1 billion pounds. While cow population will be lower in 2007 than in 2006, higher output per animal will lead production higher.

The 2006 production increase is a result of higher cow populations and higher milk per cow. Production per cow was above 5,000 pounds in the first quarter of 2006 and is expected to climb slightly to 5,130 for the April-June quarter before declining to 4,900 by yearend. The result is the higher overall production estimate for 2006 compared with 2005.

Butter production is declining seasonally, but is still above last year's level. Butter stocks are approaching seasonal highs and are above those for corresponding periods in 2004 and 2005. Prices have declined sharply in the second quarter from last quarter, as well as year over year. Lower prices should help maintain demand while building stocks hold down prices. The average butter price is expected to be \$1.155-\$1.225 per pound in 2006 compared with \$1.541 in 2005. The average butter prices in 2007 could recover slightly to \$1.215-\$1.345 as higher stocks are worked off and production grows more slowly.

A similar scenario is developing for cheese. Prices for Cheddar have declined in the second quarter, compared with both the first quarter and the same quarter last year. A robust macroeconomic situation, low unemployment, and high levels of consumer disposable income spark meals-away-from-home demand and cheese use. Lower prices are helping to maintain demand, while rising stocks are holding down prices. The May NASS *Cold Storage* report placed end of April cheese stocks at 815 million pounds, up from 799 million a month earlier and above the 781 million pounds in April 2005. The build up in stocks contributes to the lower price forecast for cheese in 2006. The average 2006 Cheddar price is expected to be \$1.215-\$1.255 per pound compared with \$1.49 per pound in 2005. Like butter, cheese prices could stage a modest recovery in 2007. The average cheese price is expected to be \$1.295-\$1.395 per pound.

Demand for nonfat dry milk (NDM) is steady, but inventories are high and rising. However, prices have slipped in the second quarter to 83 cents per pound. For the balance of 2006, prices are projected to hold steady, leaving the 2006 average price forecast at 84-88 cents per pound. Prices in 2007 are forecast to be lower, ranging between 81.5-88.5 cents per pound. After averaging 27.8 cents per pound in 2005, average whey price is expected to average 27-29 cents per pound in 2006 and between 24-27 cents per pound in 2007.

The overall weakness in dairy product prices will translate into lower prices in 2006 for all milk, Class III, and Class IV milk. The 2006 price forecast for all milk is \$12.40-\$12.80 per cwt, a decline from \$15.14 last year. Forecast higher demand for dairy products in 2007 with only slight increases in supplies suggest a higher all milk price forecast in 2007 to \$12.85-\$13.85 per cwt. Average Class III price will be \$11.40-\$11.60 per cwt for the 2006 season, off from \$14.05 last year. In 2007, Class III price should recover to \$11.90-\$12.90 per cwt. Similarly, average Class IV milk prices will fall to \$10.45-\$10.95 per cwt in 2006 from \$12.87 in 2005. Class IV prices should stage a recovery in 2007 to an average \$10.45-\$11.55 per cwt.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-144, June 15, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

MAY MILK PRODUCTION

Milk production in the 23 major States during May totaled 14.7 billion pounds, up 2.8 percent from May 2005. April revised production, at 14.2 billion pounds, was up 3.7 percent from April 2005. The April revision represented a decrease of 2 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,782 pounds for May, 22 pounds above May 2005.

The number of cows on farms in the 23 major States was 8.26 million head, 128,000 head more than May 2005, and 19,000 head more than April 2006.

MAY 2006 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2005	2006	2005	2006	2005	2006	% CHANGE FROM 2005
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	163	173	2,085	2,145	340	371	9.1
CA	1,751	1,785	1,880	1,890	3,292	3,374	2.5
CO	104	109	1,950	2,000	203	218	7.4
FL	138	133	1,580	1,600	218	213	-2.3
ID	445	485	1,930	1,930	859	936	9.0
IL	104	103	1,660	1,690	173	174	0.6
IN	157	166	1,800	1,750	283	291	2.8
IA	193	200	1,845	1,790	356	358	0.6
KS	112	113	1,815	1,870	203	211	3.9
KY	107	99	1,195	1,260	128	125	-2.3
MI	312	319	1,915	1,910	597	609	2.0
MN	455	450	1,610	1,635	733	736	0.4
MO	119	116	1,490	1,470	177	171	-3.4
NM	323	356	1,880	1,980	607	705	16.1
NY	646	648	1,665	1,660	1,076	1,076	---
OH	270	273	1,595	1,600	431	437	1.4
OR	121	121	1,660	1,550	201	188	-6.5
PA	565	556	1,675	1,700	946	945	-0.1
TX	320	330	1,830	1,970	586	650	10.9
VT	144	142	1,650	1,630	238	231	-2.9
VA	105	103	1,535	1,545	161	159	-1.2
WA	243	237	2,025	2,025	492	480	-2.4
WI	1,234	1,242	1,630	1,655	2,011	2,056	2.2
23 STATE TOTAL	8,131	8,259	1,760	1,782	14,311	14,714	2.8

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (6-06), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, MAY

Handler reports of receipts and utilization under the Federal milk order system for May have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During May about 11.0 billion pounds of milk were received from producers. This volume of milk is 1.5 percent higher than the May 2005 volume. About 3.8 billion pounds of producer milk were used in Class I products, 4.6 percent higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilization percentages were; Class I = 35%, Class II = 12%, Class III = 41%, and Class IV = 12%. The weighted average statistical uniform price was \$11.97 per cwt., \$0.07 lower than last month and \$2.79 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF MAY 2006										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,070.6	-3.3	895.2	-0.6	43	19	22	16	12.61
Appalachian (Charlotte)	005	586.3	-2.3	355.0	2.9	61	17	8	14	13.05
Southeast (Atlanta)	007	727.3	0.5	396.2	4.2	54	12	24	10	12.90
Florida (Tampa)	006	271.0	-4.7	218.0	4.6	80	8	9	3	14.28
Midwest (Cleveland)	033	1,577.9	-9.6	559.2	6.1	35	16	41	8	11.65
Upper Midwest (Chicago)	030 <u>3/</u>	2,269.1	0.2	383.9	5.2	17	4	77	2	11.21
Central (Kansas City)	032 <u>3/</u>	1,399.8	2.9	361.2	3.0	26	12	51	11	11.42
Southwest (Dallas)	126	1,083.4	28.1	365.2	8.7	34	12	35	19	12.26
Arizona (Phoenix)	131 <u>4/</u>	325.4	22.0	111.6	46.7	34	7	33	26	11.62
Pacific Northwest (Seattle)	124	717.4	14.0	193.9	7.6	27	6	31	36	11.30
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	11,028.4	1.5	3,839.4	4.6	35	12	41	12	11.97

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantage relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 50 million pounds of milk, that normally would have been associated with these markets. In May 2005, the estimated not pooled volume of milk was 150 million pounds, occurring in Order No. 030. After adjusting for these not-pooled volumes, the year to year percent change is +0.6%.

4/ Effective May 1, 2006, the name of the Federal order was changed. Clark County, Nevada, which includes Las Vegas, was removed from the marketing area.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	APR 30, 2004	APR 30, 2005	REVISED APR 30, 2006	MAY 31, 2004	MAY 31, 2005	MAY 31, 2006
Butter	155,718	164,501	200,179	178,744	178,045	229,826
Cheese, Natural American	526,389	553,814	574,420	558,823	582,686	580,668
Cheese, Swiss	26,910	21,677	32,628	26,079	23,540	32,997
Cheese, Other Natural	214,269	205,318	212,967	219,557	209,409	222,097
Total Cheese	767,568	780,809	820,015	804,459	815,635	835,762

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	400	193	106	255	224	165
Natural American Cheese	9,691	1,927	235	9,858	1,134	42

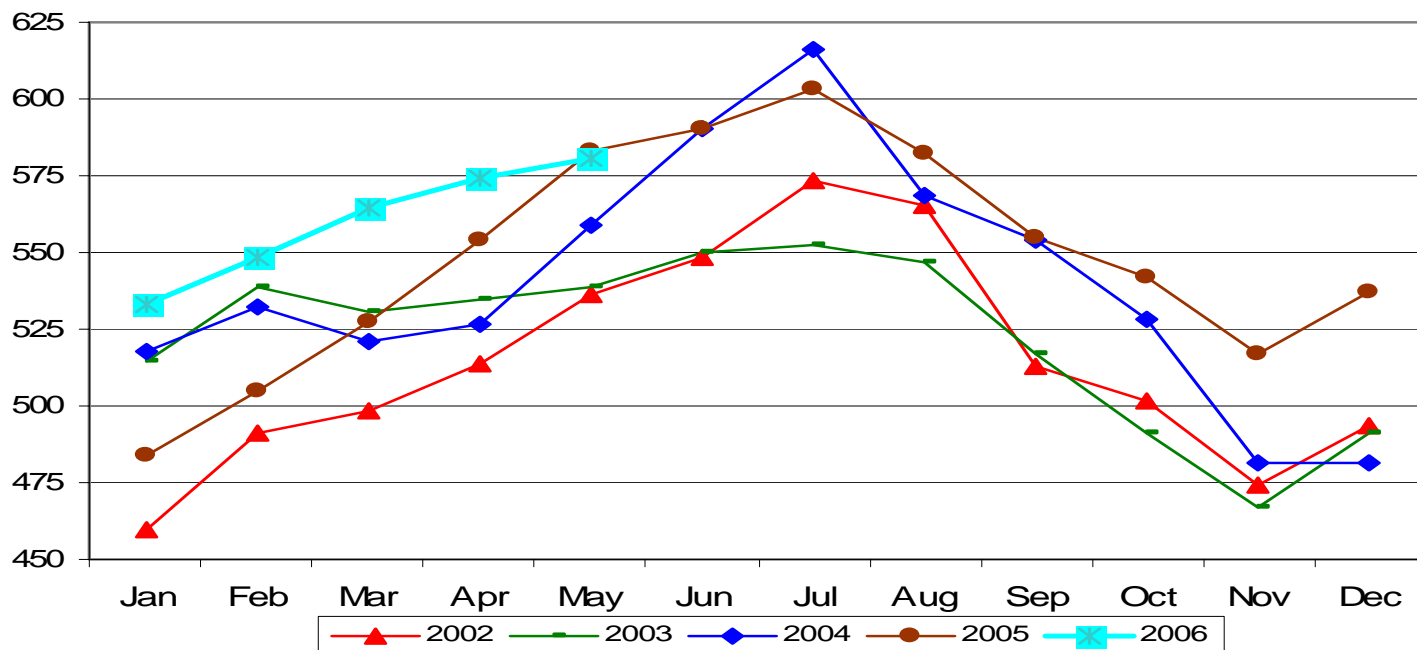
MAY STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
New England	24,682	29,161	36,524	---	---	---	441	232	37
Middle Atlantic	55,711	54,352	51,228	---	---	---	19,869	12,414	10,548
East North Central	219,008	235,977	223,236	---	---	---	124,839	123,050	135,121
West North Central	126,619	133,787	125,337	---	---	---	54,757	53,956	56,777
South Atlantic	7,583	4,195	4,219	---	---	---	198	112	102
East South Central	120	105	514	---	---	---	2,504	2,564	2,777
West South Central	4,647	3,762	4,531	---	---	---	116	136	1,093
Mountain	27,976	37,656	40,169	---	---	---	4,428	5,501	395
Pacific	92,477	83,691	94,910	---	---	---	12,405	11,444	15,247
TOTAL	558,823	582,686	580,668	178,744	178,045	229,826	219,557	209,409	222,097

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS

AMERICAN CHEESE COLD STORAGE



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2005 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Million Pounds						Million Pounds						Million Pounds					
January	110	77	110	77	<u>3/</u>	<u>3/</u>	533	484	533	480	<u>3/</u>	4	179	440	114	83	65	357
February	149	111	148	111	<u>3/</u>	<u>3/</u>	549	505	548	502	<u>3/</u>	3	175	374	119	79	55	296
March	170	132	170	132	<u>3/</u>	<u>3/</u>	564	527	564	526	<u>3/</u>	2	157	321	127	84	30	236
April	200	165	200	164	<u>3/</u>	<u>3/</u>	574	554	574	552	<u>3/</u>	2	177	276	156	108	21	168
May	230	178	230	178	<u>3/</u>	<u>3/</u>	581	583	581	582	<u>3/</u>	1		259		113		147
June		180		179	<u>3/</u>	<u>3/</u>		590		590	<u>3/</u>			NA		116		NA
July		177		177	<u>3/</u>	<u>3/</u>		603		603		1		235		120		116
August		149		149	<u>3/</u>	<u>3/</u>		582		581		1		177		110		67
September		124		124	<u>3/</u>	<u>3/</u>		555		554		1		182		95		87
October		98		98	<u>3/</u>	<u>3/</u>		542		541		1		163		89		74
November		60		60	<u>3/</u>	<u>3/</u>		517		516		1		159		89		70
December		59		59	<u>3/</u>	<u>3/</u>		537		537		<u>3/</u>		183		114		69

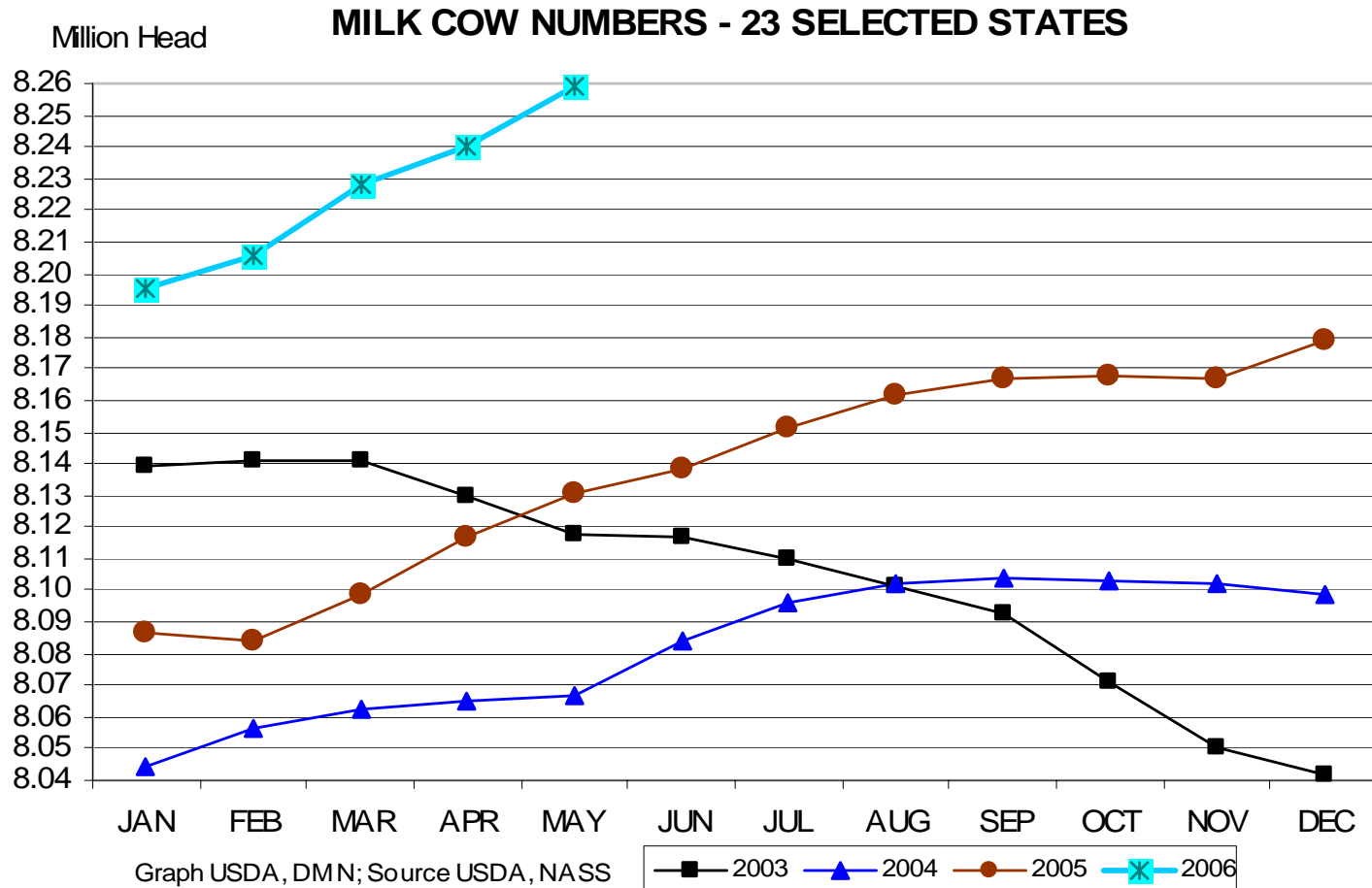
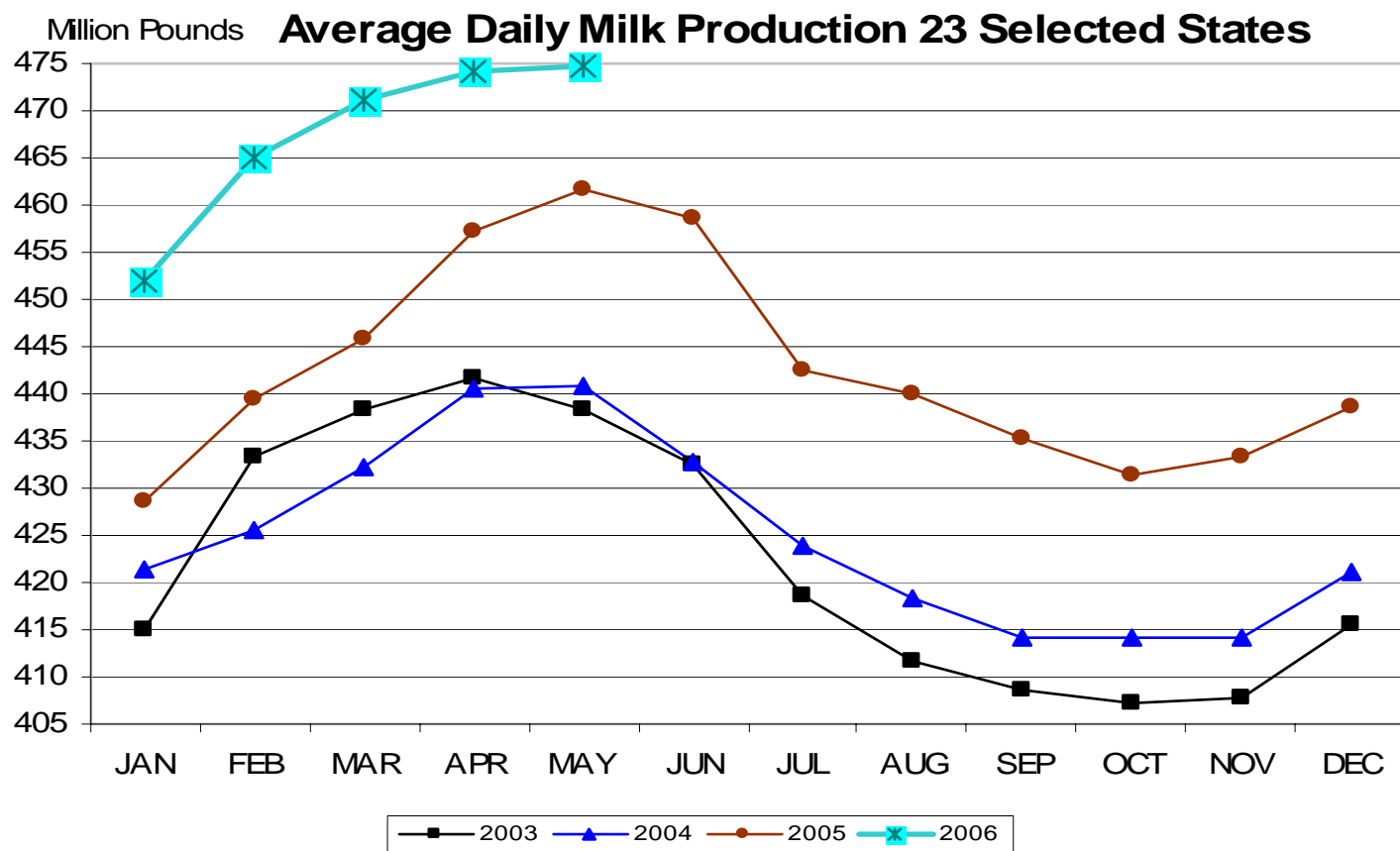
NA = Not available.

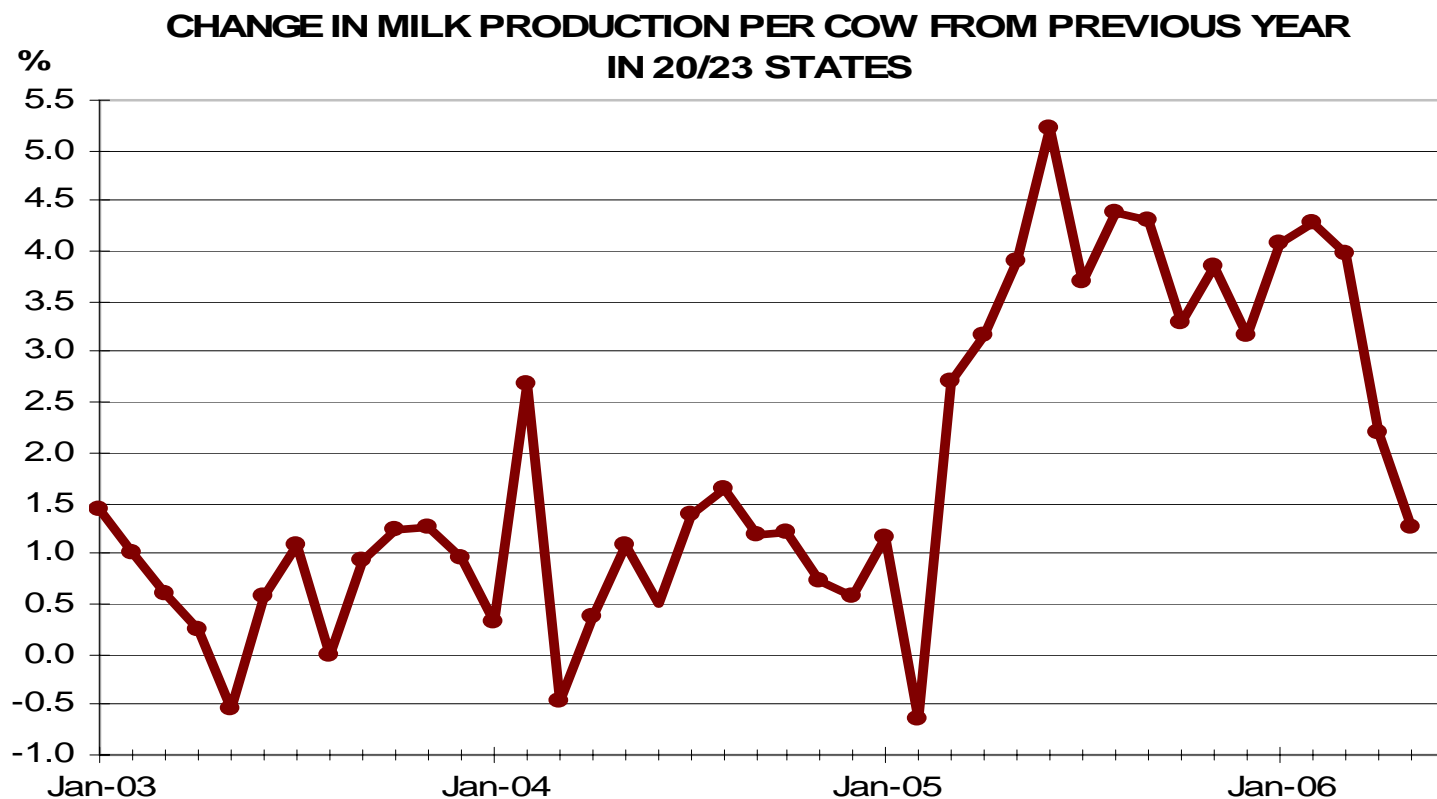
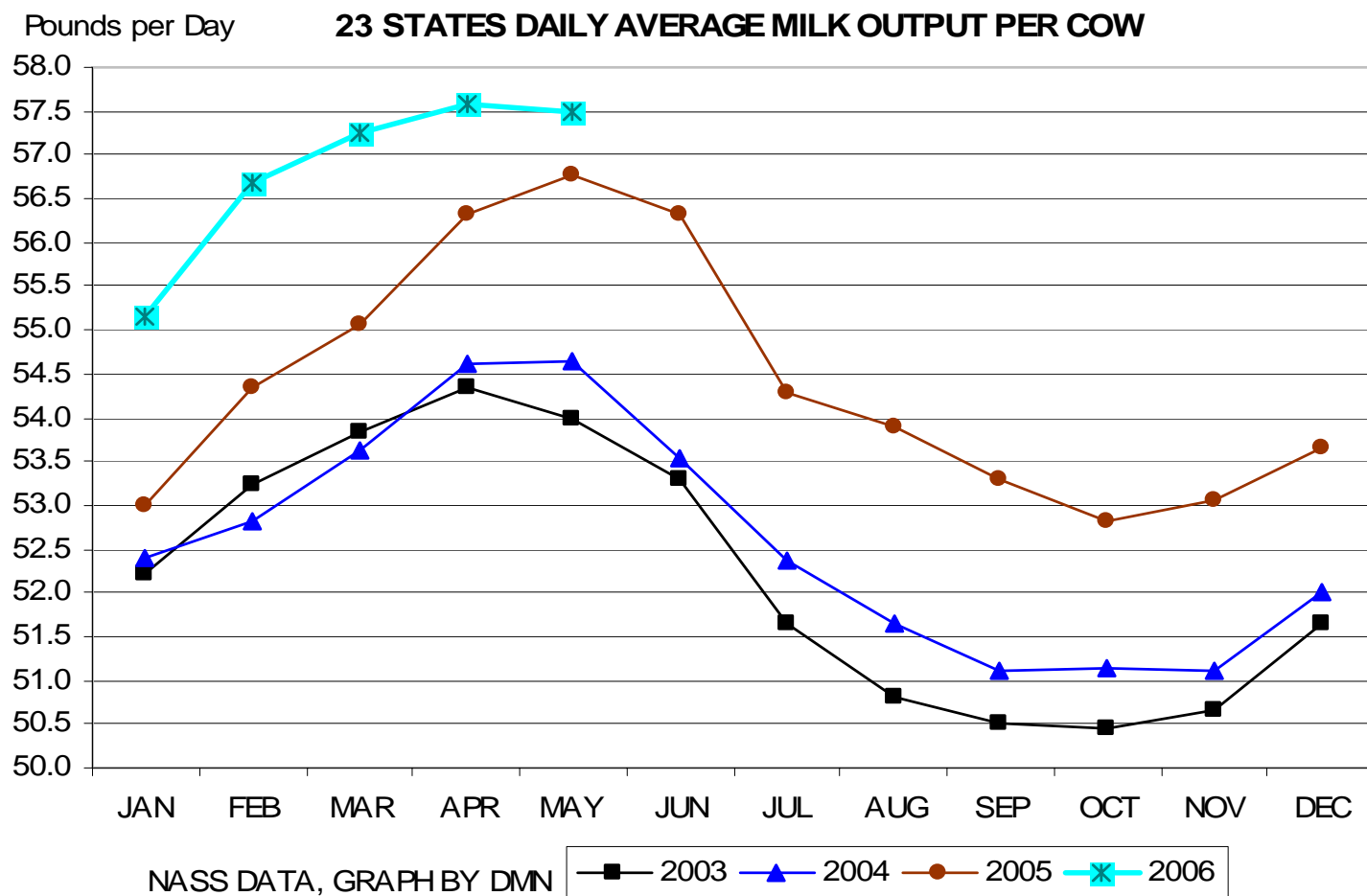
1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Apr 30, 2004	Apr 30, 2005	Apr 30, 2006	May 31, 2004	May 31 2005	May 31, 2006
	Thousand Pounds					
Butter	155,318	164,308	200,073	178,489	177,821	229,661
Natural American Cheese	516,698	551,887	574,185	548,965	581,552	580,626

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (6-06) and "Dairy Products," Da 2-6 (6-06), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.





Graph USDA DAIRY MARKET NEWS - Source: USDA, NASS

DAIRY MARKET NEWS

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